



# Missouri Real Estate Appraisers Commission

DIVISION OF PROFESSIONAL REGISTRATION

JUNE 2015 NEWSLETTER

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## MESSAGE FROM THE CHAIR

By Skip Knopf

What a surprise! The Appraisal Foundation and various states are now concerned with the amount of youth and trainees within the appraisal profession. Yes, our profession is graying. The Appraiser Qualification Board has made it necessary to have a college degree, which in itself is not a bad thing. What is the tipping point? The potential trainee does not see the financial benefits to become an appraiser.

The profession had been dragging folks off the street, who had no business being an appraiser. The fact that the person could not write and knew nothing about real estate was just a minor detail. Something had to be done. As a profession we got ourselves in a box. Historically, we had some appraisers training unqualified and unprofessional trainees, in numbers. Possibly, the difficulty became so apparent, the liability problematic, and financially not feasible that it became not a good business decision to have a trainee. What is the solution to attract qualified trainees to the appraisal profession? Obviously financial rewards need to be addressed. Having qualified supervisors available is also necessary. It has to be profitable and not cumbersome to attract supervisors. Perhaps the lending institutions and government need to have "some skin in the



## MESSAGE FROM THE CHAIR

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game” (to use their phrase). Perhaps they should have a fund available to pay trainees and supervisors for the supervised education. To the question of training your competition, perhaps a 5 year contract with a non-compete on main clients should be applicable. The government should put together the non-compete contract so the judicial system could not break it easily.

These are my opinions and ideas. I would appreciate your feedback and thoughts. The Association of Appraiser Regulatory Officials (AARO) will be forming a working group to look into the shortage of trainees.

## NEW DIVISION DIRECTOR

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Katie Steele Danner  
Director of the Division of  
Professional Registration

It was 120 years ago, in 1895, that Governor William Joel Stone appointed the first licensing board in Missouri, creating the State Board of Embalming. Today, licensing and discipline are handled by 40 boards housed within the Division of Professional Registration, overseeing 243 diverse professions, regulating 453,488 individuals and companies.

The division is fully funded by the fees paid by licensees, which collected \$18.5 million in 2014.

In January I was honored to have been appointed by Governor Nixon, and in March was confirmed by the Missouri Senate to become the division director. In this new public administration role, I will work to provide oversight and support to these boards for their administrative needs including human resources, budget, legislation, information technology, travel and board

meeting logistics, and other support services to allow each board to fulfill their mission of protecting the public, licensing qualified professionals, and enforcing standards.

It is my overarching goal to provide opportunities for education and discipline while emphasizing compliance with the laws and regulations of each profession. In the end, our licensees will better understand the changing regulations governing their professions allowing them to provide improved service for Missourians and generate fewer consumer complaints.

As Missouri's Mark Twain once proclaimed “Thunder is impressive, but it is lightning that does the work.” In my first weeks in this new role, I am impressed by the positive, passionate, energetic outlook of the staff of this division. Their energy is soaked up by those around them.

I look forward to working with these committed team members and their boards and commissions to further serve and protect our fellow Missourians by providing an accessible, responsible and accountable regulatory system.

## TRAINEES AND SUPERVISORS

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In an attempt to assist you, the applicant for licensure, the Missouri Real Estate Appraisers Commission is offering to review your work product upon completing ½ of the required experience hours.

This review is strictly voluntarily and allows you the opportunity to have your work reviewed and critiqued by the Commission so you can correct any concerns or issues with your work product prior to completing



all of the required experience hours. Should the Commission have any concerns you will be notified in writing.

Please be advised that no action can be taken by the Commission based on this review.

Should you elect to have your work reviewed once you have completed ½ the experience hours, you will need

to submit your appraisal log along with two appraisals of your choice. The Commission does not wish to have reports that are on the 2055 form. The appraisals should include all applicable approaches to value.

The Commission sincerely hopes that you take advantage of this opportunity.

## RURAL APPRAISALS FROM THE COMMISSION VIEW

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By Boyd Harris

Nearly every month the Commission reviews reports on rural properties and farms. While most of these are acceptable we still see issues of deficiency that are concerning. The most glaring of these is the reporting method. While neither USPAP nor the Commission can prescribe a particular form to use, USPAP does say that the report must not be misleading.

All too often we see an agricultural property reported on a FNMA Vacant Land Form. This form was designed for small tracts, particularly subdivision lots, and is quite limited in its adequacy for larger properties. The limitation is the ability to adequately analyze the comparable sales, support adjustments, develop depreciation and fully convey the details of the property and the market. If the appraiser is not willing to take the time to add all of the information necessary to make this form compliant with the reporting standards then it would not be an appropriate format.

In that same vein, another big issue that we see with agricultural appraisals is a lack of analysis and support. Frequently we see reports that are done with no analysis of the comparable sales. Analysis, whether on agriculture land or a commercial property, is NOT just determining a sale price per unit of comparison. The land must be broken out, by use or class, to support the cost approach. Then, the remaining part of the sale price must be allocated to improvement value if it is improved. From this, depreciation can be developed for the improvements. Again, we see much too often

that this step is left out and not used to support subject improvement values. Failing to develop depreciation and determine an improvement value, and then making adjustments on the grid, is completely inappropriate.

Finally, there is always the issue of adjustments in general. Many times what we see, particularly if the appraiser chooses to utilize the Vacant Land Form, is the lack of any support for land differences. It is critical that the appraiser support the adjustments that are made on the grid. This can be very difficult if not utilizing an appropriate reporting format. Every element that is going to be adjusted for must be supported by the comparable sales data. Then, this should be discussed and explained so that the reader can fully understand how the appraiser makes the adjustment and the rationale behind them.

Missouri has a lot of rural property and there will be need to prepare appraisals on this type of property. However, from the Commission's perspective, we strongly encourage appraisers preparing these reports to always consider, first and foremost, your level of competence to tackle these properties, then be sure you use the right reporting format, fully analyze your comparable sales, fully support your adjustments and conclusions and communicate the report in a clear manner.





# THE DIFFICULT ASSIGNMENT – COMPETENCY AND COMPLEX GUIDELINES

By Cash Gill

Everyone at one time or another has been given an assignment that is much different than what you are used to seeing in your normal course of business. We have all been there. Do you turn down a good client? How do you develop a proper scope of work with your client so that you can begin working through the appraisal problem? What are the steps to follow?

## COMPETENCY

If the appraisal includes a completely new concept, you will need to disclose to your client that you do not have the knowledge base and/or experience to complete the assignment without doing the research first. USPAP refers to this as disclosing a lack of competency.

I tend not to use that exact term, as I do not want my client to think that I am “incompetent.” Throwing terms like that around can open a Pandora’s box of problems, so I stick to the basics, “I haven’t had a chance to complete this type of assignment before, so I’ll need to reach out to some of my colleagues who specialize in this to make sure I have my bases covered.”

The next step is to go out there and obtain the competency you seek. It could be as simple as reading through publications by groups like the Appraisal Institute or having a discussion with someone in your office that has successfully completed that type of assignment before. However, depending on the complexity of the assignment, it may be as involved as actually partnering with another appraiser who has the developed skills necessary to complete the assignment. Sure, you are going to lose a portion of your fee, but there is significantly less chance you will make mistakes and either end up embarrassed or worse, in front of the commission.

My firm specializes in conventional and affordable multifamily housing appraisals. We tackle everything from simple, market-rate fourplexes in our local market to mixed-income, mixed-age, multi-million dollar skyscrapers in downtown Chicago. While the

possibility of negative publicity and the financial risk may be a lot greater on the larger projects, my obligations are exactly the same in the eyes of USPAP.

There would not be a need for me to do any in depth fact-finding other than the typical steps of an appraisal report on the fourplex, but I may very well have to have long discussions with a client needing an appraisal in downtown Chicago. Every single street is different in the United States’ third largest Metropolitan Statistical Area (MSA). Meetings with local appraisers and realtors and portfolio managers intimately familiar with its markets and submarkets when I work there are required.

There is another consideration for a mixed-age project in a large MSA: What are potential tenants’ perceptions of a mixed-use apartment facility? Will tenants with families consider living in an environment that has noise constraints for senior tenants? Conversely, will a senior tenant consider living in an environment with no age restrictions? This is an extremely important concept that can have demonstrative effects on value. When completing a Market Value, Subject to Restrictions, it may not be a terribly large issue. That is mainly because, with an already restricted property, the most heavily weighted value factor is going to be the historic operations of the property.

When completing a Market Value under the hypothetical condition that the property is conventional, the senior units, in this case, showed a pattern: the market-rate units were being rented at a significant percentage lower than the market would have supported if the property had been totally senior rather than mixed family and senior units.

After interviewing tenants at a nearly identical, entirely senior market-rate property just two blocks down the street and the manager of the mixed-age subject property, the reason for the decreased rent at the subject was directly related to the proximity of family units. Because of this, the Market Value, Subject to



# THE DIFFICULT ASSIGNMENT – COMPETENCY AND COMPLEX GUIDELINES CONTINUED

Restrictions was approximately half of the Market Value, Unrestricted. Had we not dealt with this type of scenario previously, it is very likely that the preferences for potential tenants could have been overlooked. In essence, a lack of competency could have led to our valuation being off by approximately \$20 Million.

## COMPLEX GUIDELINES

Competency plays an important role in the appraisal process, but it reaches beyond just location and market perceptions. It is also a major factor when dealing with complex guidelines.

Far too often, I see examples of this when reviewing for Rural Development (RD) and the U.S. Department of Housing and Urban Development (HUD). An appraiser familiar with a local market, familiar with multifamily appraising and familiar with the differences between conventional and restricted properties can still completely miss the mark when specific guidelines are added to the mix.

With HUD, the appraisals are similar to value types appraisers of affordable housing see regularly. The main differences are going to be the detailed HUD forms and things like expense inflation factors that appraisers may not typically see in the normal course of business. One example of a detailed HUD form is the 92273-S8 rent grid. Normally, a rent grid is several lines long and paired rental analysis with a few comparables is sufficient to reach a conclusion of market rent. In the HUD form, there are over 40 lines of comparison and the minimum number of comparables allowed is three with five recommended for each demonstrable unit difference. If you aren't familiar with the form, it can be overwhelming to even begin the comparisons or find the correct data to isolate the individual adjustments.

With RD, the entire appraisal problem can be difficult to not only work through but to even understand from the beginning. In most cases, for a normal RD transaction, there are going to be five value types that have to be concluded. These are not simple values like

“Market Value” or “Restricted Value.” Even their names are complex: “Prospective Market Value, Subject to Restricted Rents within 7 CFR Part 3560.752(b)(1)(i)” or “Market value within 7 CFR Part 3560.752(b)(1)(ii), Premised Upon A Hypothetical Condition As-If Unsubsidized Conventional Housing in compliance with 7 CFR Part 3560.752(b)(1)(i).”

There are also cash equivalency values like the “Value of the Interest Credit Subsidy” and discounted cash flow values like the “Value of Low Income Housing Tax Credits.”

Often, these types of appraisals not only have to follow HUD and/or RD guidelines, but they also have to follow others. For example, there may be a bank involved which is doing a bridge loan, an investor who is buying the tax credits, a non-profit entity who is partnering or the appraisal may be used for more than just lending. The client may also anticipate using the appraisal to obtain a tax credit allocation through the state.

I have seen appraisers with quite a bit of experience in the many facets of real estate appraising fall flat when it comes to trying to understand and interpret complex guidelines, especially when there are two or more sets of guidelines that have to be followed within one appraisal. In the end, accepting an assignment with guidelines you have never before seen may not be as easy as just entering into an agreement with your client. Always try to pinpoint exactly who the end (intended) users will be and every intended use the appraisal may have. Then, compare the guidelines and see which value types will work for which user and use. Many of them will overlap, but you may be agreeing to complete 10 separate values within one appraisal.

At the end of the day, understanding the assignment in its totality will save you countless hours of uncompensated work, numerous revisions that can exceed the time of the original assignment, a loss in income if you never get an approved work product completed and therefore are not paid and ultimately, a long, lonely trip to Jefferson City if the assignment is not completed competently.



# 2014 LEGISLATION- SB672

The Commission is working on regulations to implement the language passed in SB 672 which made changes to section 339.531, RSMo. The changes create a probable cause committee to review grievances, defines the grievance process and also requires additional actions of the Commission. The Truly Agreed and Finally Passed language is below in blue print.

## 339.507.

1. There is hereby created within the division of professional registration the “Missouri Real Estate Appraisers Commission”, which shall consist of seven members appointed by the governor with the advice and consent of the senate, six of whom shall be appraiser members, and one shall be a public member. Each member shall be a resident of this state and a registered voter for a period of one year prior to the person’s appointment. The president of the Missouri Appraiser Advisory Council in office at the time shall, at least ninety days prior to the expiration of the term of the commission member, other than the public member, or as soon as feasible after the vacancy on the commission otherwise occurs, submit to the director of the division of professional registration a list of five appraisers qualified and willing to fill the vacancy in question, with the request and recommendation that the governor appoint one of the five persons so listed, and with the list so submitted, the president of the Missouri Appraiser Advisory Council shall include in his or her letter of transmittal a description of the method by which the names were chosen by that association. The public member shall have never been engaged in the businesses of real estate appraisal, real estate sales or making loans secured by real estate.
2. The real estate appraiser members appointed by the governor shall be Missouri residents who have real estate appraisal experience in the state of Missouri for not less than five years immediately preceding their appointment. Appraiser members of the commission shall be appointed from the registry of state-certified real estate appraisers and state-licensed real estate appraisers. [Real estate appraiser commission members, appointed after August 28, 2014, shall not be from the same United States congressional district.](#)
3. All members shall be appointed for three-year terms. All members shall serve until their successors have been

appointed and qualified. Vacancies occurring in the membership of the commission for any reason shall be filled by appointment by the governor for the unexpired term. Upon expiration of their terms, members of the commission shall continue to hold office until the appointment and qualification of their successors. No more than four members of the commission shall be members of the same political party. No person shall be appointed for more than two consecutive terms. The governor may remove a member for cause.

4. The commission shall meet at least once each calendar quarter to conduct its business. A quorum of the commission shall consist of four members.
5. Each member of the commission shall be entitled to a per diem allowance of fifty dollars for each meeting of the commission at which the member is present and shall be entitled to reimbursement of the member’s expenses necessarily incurred in the discharge of the member’s official duties. Each member of the commission shall be entitled to reimbursement of travel expenses necessarily incurred in attending meetings of the commission.
6. [The commission shall prepare an annual report outlining business conducted by the commission during the previous calendar year and shall submit a copy to the general assembly by April first of each year. The report shall include:](#)
  - (1) [The number of complaints that were filed against licensees;](#)
  - (2) [The number and disposition of investigations conducted by the commission pursuant to the filing of a complaint; and](#)
  - (3) [An accounting of all expenditures of the commission.](#)

## 339.531.

1. [Any person may file a complaint with the commission alleging that a licensee has committed any combination of the acts or omissions provided in subsection 2 of section 339.532. A complaint shall be in writing and shall be signed by the complainant, but a complainant is not required to specify the provisions of law or regulations alleged to have been violated in the complaint.](#)
2. [Upon the receipt of a complaint against a licensee, the commission shall refer the complaint to the probable cause committee. The commission shall appoint a probable cause committee of four members, one of](#)



whom shall be a current member of the commission and three members selected by the commission through recommendations provided by the Missouri Appraisers Advisory Council. The probable cause committee shall serve in an advisory capacity to the commission and review complaints and make a recommendation to the commission regarding the disposition of the complaint. The commission shall provide by rule for the selection process, length of committee member terms, and other procedures necessary for the functioning of the committee. No complaints shall be brought before the probable cause committee prior to its creation, appointment of members, and approval of all rules and regulations pursuant to chapter 536.

3. Each complaint shall be considered a grievance until reviewed by the probable cause committee. When a grievance is filed under subsection 1 of this section, a copy shall be provided to the licensee, who shall have ten working days to respond documenting why the grievance may have no merit. If the licensee responds within the allowable time, the probable cause committee shall review the grievance and response. If the probable cause committee determines that the grievance has no merit, the grievance shall be dismissed and no complaint shall be placed on the licensee's record. If the probable cause committee determines that the grievance has merit, it shall present the case to the commission, and the commission shall decide whether or not to proceed with an investigation of the grievance as a complaint. If the commission decides to proceed with an investigation of a complaint, at that time the complaint shall become a part of the licensee's record.
4. When the commission determines to proceed with a complaint against a licensee, the commission shall investigate the actions of the licensee against whom the complaint is made. In conducting an investigation, the commission may request the licensee under investigation to:
  - (1) Answer the charges made against him or her in writing;
  - (2) Produce relevant documentary evidence pertaining to the specific complaint causing the investigation; and
  - (3) Appear before the commission.
5. A copy of any written answer of the licensee requested under subsection 4 of this section may be furnished to the complainant, as long as furnishing the written answer does not require disclosure of confidential information under the Uniform Standards of Professional Appraisal Practice.
6. The commission shall notify the complainant and the licensee that an investigation has been commenced within ten working days of the date of the commission's decision to proceed with a complaint under subsection 4 of this section. The commission shall also notify and inform the complainant and licensee of the status of the investigation every sixty days following the commencement of the investigation. No investigation shall last longer than twelve months. Once an investigation is closed or dismissed it shall not be reopened.
7. In the event that the commission fails to meet the notification and investigation requirements of this section or does not finish the investigation within twelve months, then the commission shall provide the complainant at the commission's expense with an appraisal and an appraisal report of the real estate originally appraised by the licensee under investigation.
8. A real estate appraiser member of the commission shall recuse themselves from any matter in which their knowledge of the parties, circumstances, or subject matter will substantially affect their ability to be fair and impartial.
9. Any rule or portion of a rule, as that term is defined in section 536.010, that is created under the authority delegated in this section shall become effective only if it complies with and is subject to all of the provisions of chapter 536 and, if applicable, section 536.028. This section and chapter 536 are nonseverable and if any of the powers vested with the general assembly pursuant to chapter 536 to review, to delay the effective date, or to disapprove and annul a rule are subsequently held unconstitutional, then the grant of rulemaking authority and any rule proposed or adopted after August 28, 2015, shall be invalid and void.
10. Nothing in this section shall be construed as limiting or delaying any administrative remedies or actions available through the administrative hearing process.
11. The provisions of this section shall become effective August 28, 2015.





# DISCIPLINES

All complaints received by the Commission are numbered and tracked. A complaint may be based upon personal knowledge or information received from other sources. The complaint must be made in writing. Verbal or telephone communications are not acceptable.

In general, the complaint is considered to be a closed record and is not accessible to the public. Any complaint that is received by the Commission is acknowledged in writing. The complainant will be notified of the final outcome. Any disciplinary action taken by the Commission is a matter of public record. The Commission believes publication of disciplinary actions to be in the public interest and has included such in this newsletter.

If you have any questions, please contact Vanessa Beauchamp, Executive Director at our office. Please note that all disciplinary orders are posted on the website.

The following disciplinary actions were taken by the Commission since the last newsletter and will be maintained as open records, according to the terms of the action:

## **Jesse Blakey**

Suspended 12/13/14 - present

## **John Bujnak**

Suspended 12/13/14-1/20/15

## **William Caldwell**

Probation 4/9/15-4/9/17

## **Dana Dungan**

Probation 1/13/15-1/13/17

## **Joel Hoogerbeets**

Suspended 12/13/14-present

## **Scott Marth**

Suspended 12/13/14-12/29/14

## **Joseph McDavid**

Suspension 3/14/14-3/14/15

Probation 3/15/15-3/15/18

## **Michael Norman**

Probation 12/17/14-12/17/16

## **Dan Peterson**

Probation 1/13/15-1/13/17

## **Robert Stoltz**

Revoked 4/27/15

## **Michael Terrell**

Probation 4/27/15-4/27/17

## COMPLAINTS

<b>FY 09</b> (July 1, 2008 to June 30, 2009) .....	<b>143</b>
<b>FY 10</b> (July 1, 2009 to June 30, 2010) .....	<b>90</b>
<b>FY 11</b> (July 1, 2010 to June 30, 2011) .....	<b>80</b>
<b>FY12</b> (July 1, 2011 to June 30, 2012) .....	<b>72</b>
<b>FY 13</b> (July 1, 2012 to June 30, 2013) .....	<b>59</b>
<b>FY 14</b> (July 1, 2013 to June 30, 2014) .....	<b>46</b>
(as of June 1, 2015)	

## LICENSE STATS

Appraisal Management Companies .....	134
State Certified General .....	778
State Certified Residential .....	1219
State Licensed .....	81
State Certified General Trainee .....	57
State Certified Residential Trainee .....	22
State Licensed Trainee .....	6





The Missouri Department of Insurance, Financial Institutions and Professional Registration and the Missouri Real Estate Appraisers Commission are pleased to announce a new subscription service to make it easier for you to receive updates – by email or text message – on the topics that interest you.

Getting started is easy. Simply go to the subscribe page [public.govdelivery.com](http://public.govdelivery.com), enter your email address or mobile number, then select the topics for which you'd

like to receive updates. Click the submit button when you're finished and watch for a conformation email or text verifying the updates you've made. You can change your account preferences at any time.

Thank you for your continued interest in DIFP and the Real Estate Appraisers Commission. We look forward to improving our communication with you. Please forward this invitation to any contacts you believe would be interested in this service.

## EXAM STATISTICS

### 2013

#### Certified General Appraiser Examination

	Total Examinees	Repeat Examinees	First Time Examinees
<b>Total Tested</b>	15	5	10
<b>Total Passed</b>	7(46.67%)	3(60.00%)	4(40.00%)
<b>Total Failed</b>	8(53.33%)	2(40.00%)	6(60.00%)

#### Certified Residential Appraiser Examination

	Total Examinees	Repeat Examinees	First Time Examinees
<b>Total Tested</b>	27	6	21
<b>Total Passed</b>	18(66.67%)	3(50.00%)	15(71.43%)
<b>Total Failed</b>	9(33.33%)	3(50.00%)	6(28.57%)

#### Licensed Residential (State Licensed) Examination

	Total Examinees	Repeat Examinees	First Time Examinees
<b>Total Tested</b>	2	1	1
<b>Total Passed</b>	0(0.00%)	0(0.00%)	0(0.00%)
<b>Total Failed</b>	2(100.00%)	1(100.00%)	1(100.00%)

### 2014

#### Certified General Appraiser Examination

	Total Examinees	Repeat Examinees	First Time Examinees
<b>Total Tested</b>	38	18	20
<b>Total Passed</b>	19(50.00%)	8(44.44%)	11(55.00%)
<b>Total Failed</b>	19(50.00%)	10(55.56%)	9(45.00%)

#### Certified Residential Appraiser Examination

	Total Examinees	Repeat Examinees	First Time Examinees
<b>Total Tested</b>	25	7	18
<b>Total Passed</b>	18(72.00%)	5(71.43%)	13(72.22%)
<b>Total Failed</b>	7(28.00%)	2(28.57%)	5(27.78%)

#### Licensed Residential (State Licensed) Examination

	Total Examinees	Repeat Examinees	First Time Examinees
<b>Total Tested</b>	13	7	6
<b>Total Passed</b>	3(23.08%)	2(28.57%)	1(16.67%)
<b>Total Failed</b>	10(76.92%)	5(71.43%)	5(83.33%)



## 2008-2014 National Uniform Licensing and Certification Examination Pass Rates

	2008		2009		2010		2011		2012		2013		2014	
	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate
Licensed Residential	1096 435	40%	872 464	53%	329 172	52%	191 117	61%	173 132	76%	317 137	43%	447 236	53%
Certified Residential	2848 1170	41%	3146 1805	57%	1266 699	55%	770 540	70%	614 494	80%	796 552	69%	1531 1033	67%
Certified General	821 482	58%	772 439	57%	399 235	59%	391 287	73%	383 299	78%	407 220	54%	652 415	64%
Total	4768 2087	44%	4790 2708	56%	1994 1106	55%	1352 944	70%	1170 925	79%	1520 909	60%	2630 1684	64%

- Data applies to first-time test takers only
- Because there is no Trainee Appraiser examination, many states require Trainee Appraisers to take the Licensed Residential examination

# MOVING?

**PLEASE NOTIFY THE COMMISSION OF YOUR NEW ADDRESS.**

The rules and regulations require all licensees to notify the Commission of all such change by sending a letter to the office in Jefferson City, Mo.

\*Please include street address to facilitate any express deliveries.

**PLEASE MAIL TO:**

**Real Estate Appraisers Commission  
P.O. Box 1335, Jefferson City, Mo.  
65102-1335**



# 2014-15 USPAP Q&A

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

## 2014-07: Appraisal Reporting – Use and Format Issues

### Explaining the Exclusion of Approaches

#### Question:

*The Comments to Standards Rules 2-2, 8-2, and 10-2 state that the exclusion of any of the three approaches to value “must be explained.” In this context, what does “explained” mean?*

*If, for example, the cost approach is not developed:*

- Is it sufficient to state that the cost approach was considered, but not developed?*
- Is it sufficient to state that the appraiser does not consider the cost approach necessary for credible results, thus it has not been developed? If not, what should the appraiser do to comply with USPAP?*

#### Response:

Simply stating that an approach was not developed does not meet the USPAP requirement to explain why it was not developed.

Stating that an approach was not necessary, without providing some basis for that

2014-15 USPAP Q&A October 28, 2014

opinion, also fails to meet the definition of explain.

The report must explain why an excluded approach is not necessary for credible results.

“Explained” is not a defined term in USPAP and therefore has no special meaning. A dictionary definition of explain is “to give the reason for or cause of.”<sup>1</sup>

The USPAP requirement to include an explanation for the exclusion of an approach to value from the analysis is necessary to provide the client and other intended users with insight into the appraiser’s decision as to why the analysis was not performed.

## 2014-08: Appraisal Development – Subject Property Sales History

### Value Conclusion Below Contract Price

#### Question:

*I recently submitted an appraisal report to an Appraisal Management Company (AMC). The value conclusion in the report was below the contract sale price. The AMC, acting on behalf of the client, sent me the following request:*

*“Discuss the lack of support for the contract price, considering the subject’s features, any changes in market conditions between the contract and effective dates, the details of the contract, etc., which you believe may have contributed to the issue. If there is no apparent reason for the lack of support of the contract price, state that within your report.”*

*Do I have to respond to this request to comply with USPAP?*

#### Response:

USPAP compliance does not specifically require the appraiser respond to this particular request, but it does require that the appraiser to analyze the pending sale and summarize the results of that analysis in the appraisal report.

An appraiser is not engaged for the purpose of supporting a contract price, but rather to form an opinion of, in this instance, the market value of the subject property. The appraiser must comply with the





Conduct section of the ETHICS RULE, which states, in part:

*An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.*

Standards Rule 1-5(a) requires the appraiser to analyze all agreements of sale (if available in the normal course of business). The Comments to Standards Rules 2-2(a)(viii) and 2-2(b)(viii) state, in part:

*When reporting an opinion of market value, a summary of the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standard Rule 1-5 is required.*

If the above requirements have been met, the client's request may already have been addressed.

If the appraiser has not met the requirements, then the client's request is valid in terms of lack of disclosure of the analysis of the agreement of sale.

As previously stated, the appraiser's opinion of value should be supported, not the difference between the contract and the opinion of value.

the work was performed "in conformity with the Uniform Standards of Professional Appraisal Practice." The use of language such as "USPAP Certified Appraisal" could be taken by intended users to mean that there was some independent certification of compliance. If that could be inferred from the language used, this would also be misleading.

The USPAP Q&A is posted on The Appraisal Foundation website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)). The ASB compiles the USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the "Foundation Store" page on The Appraisal Foundation website ([commerce.appraisalfoundation.org](http://commerce.appraisalfoundation.org))

<sup>1</sup> Merriam-Webster

## 2014-09: ETHICS RULE - MANAGEMENT

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### "USPAP Certified" Advertisement

#### Question:

*Recently I have seen numerous advertisements from individuals who may have completed a USPAP course, and describe themselves as "USPAP Certified Appraisers," or their reports as "USPAP Certified Appraisals." Is this an actual credential, and if not is that wording misleading?*

#### Response:

There is no such credential. The use of the expression "USPAP Certified Appraiser" is misleading.

Completing a USPAP course does not entitle one to call oneself a USPAP Certified Appraiser.

One requirement for an appraisal or appraisal review is that the report include the appraiser's certification that to the best of his or her knowledge and belief

For further information regarding USPAP Q&A, please contact:

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